

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 IO-13 HA-05 CIAE-00 DODE-00 INR-10
NSAE-00 PA-01 ICA-11 SP-02 HUD-01 EB-08 /062 W
-----031415 190635Z /11

R 180850Z MAY 78
FM AMEMBASSY PRETORIA
TO SECSTATE WASHDC 1239
INFO AMCONSUL CAPE TOWN POUCH
AMCONSUL DURBAN POUCH
AMCONSUL JOHANNESBURG POUCH

C O N F I D E N T I A L SECTION 1 OF 2 PRETORIA 2860

CAPE TOWN ALSO FOR EMBASSY

E.O. 11652: GDS
TAGS: PINT, SOCI, SF
SUBJECT: LEGISLATION ON 99-YEAR LEASEHOLDS FOR BLACK
HOUSING

SUMMARY: THE GOVERNMENT HAS ANNOUNCED THAT IT WILL INTRO-
DUCE LEGISLATION THIS SESSION CLEARING THE WAY FOR BUILDING
SOCIETIES TO EXTEND MORTGAGES IN URBAN BLACK TOWNSHIPS.
OBJECTIONS OF HARD-LINE OFFICIALS TO PERMANENT RIGHTS
FOR BLACKS IN WHITE AREAS HAVE APPARENTLY BEEN OVERCOME
WITH A 99-YEAR LEASEHOLD WHICH IS VIEWED AS NEAREST THING
TO FREEHOLD.

A REMAINING PROBLEM IS TO INSURE THAT HEIRS OF
HOME PURCHASERS WILL NOT LOSE RESIDENCE RIGHTS THROUGH
BECOMING CITIZENS OF INDEPENDENT HOMELANDS OR THROUGH
ARBITRARY ACTION BY BANTU ADMINISTRATION BOARDS. IF
SATISFACTORY LAW IS ENACTED, IT COULD LEAD TO CONSTRUC-
TION OF UP TO 40,000 HOUSES IN NEXT FIVE YEARS, ES-
TIMATED AT 10 PCT OF PRESENT HOUSING SHORTAGE.

END SUMMARY
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1. PERHAPS THE MOST IMPORTANT PROPOSAL IN THE CURRENT
SESSION OF PARLIAMENT TO BENEFIT BLACKS IS THE PROMISED
LEGISLATION TO PERMIT BLACK LEASEHOLDS IN URBAN TOWN-
SHIPS. PREVIOUS ADMINISTRATIVE MOVES BY THE GOVERNMENT
HAVE NOT BEEN SUFFICIENT TO INDUCE PRIVATE BUILDING
SOCIETIES (MORTGAGE COMPANIES) TO FINANCE HOME PUR-

CHASES NOR TO ASSURE BLACK LEASEHOLDERS OF SECURITY OF THEIR HOLDING. RECONCILING INTERESTS OF BUILDING SOCIETIES AND BLACKS WITH NATIONALIST PARTY DOCTRINE WHICH REGARD BLACKS AS ONLY TRANSIENTS IN WHITE AREAS AND CONTROLS OVER BLACKS EXERCISED BY BANTU ADMINISTRATION BOARDS HAS DELAYED TABLING OF LEGISLATION.

2. URBAN FOUNDATION (UF) OFFICIALS IN JOHANNESBURG AND CAPE TOWN TELL US THEY HAVE BEEN IN INTENSIVE NEGOTIATION WITH PLURAL RELATIONS MINISTER MULDER AND TOP OFFICIALS OF HIS DEPARTMENT. FOUNDATION IS SATISFIED WITH MULDER'S SINCERITY, BUT BUREAUCRATS HAVE IMPOSED EVERY POSSIBLE OBSTACLE TO SURRENDERING THEIR AUTHORITY OVER BLACKS. A 99-YEAR LEASEHOLD WAS AGREED UPON IN PRINCIPLE AND EFFORTS BY DEPARTMENTAL DIE-HARDS TO DRAFT THE AMENDING LEGISLATION VERY NARROWLY WERE TO SOME EXTENT OVERCOME BY SEPARATE DISCUSSIONS BETWEEN MULDER AND UF LEADERS AND THEIR ATTORNEYS. HOWEVER, MULDER'S CONTRADICTIONARY REMARKS IN PARLIAMENT CONCERNING SCOPE OF NEW LEGISLATION (AT ONE POINT HE WAS QUOTED BY PRESS AS SAYING THAT CHILDREN OF URBAN BLACKS REGARDED AS "HOMELAND" CITIZENS WOULD BE ABLE TO INHERIT HOMES FROM THEIR PARENTS BUT WOULD NOT AUTOMATICALLY ACQUIRE RIGHTS THEMSELVES TO RESIDE IN WHITE AREAS AND THUS TO OCCUPY THEM) NECESSITATED A FURTHER MEETING BETWEEN MULDER AND UF LEADERS WHICH TOOK PLACE MAY 15 IN CAPE TOWN.

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3. AT LEAST MEETING WITH MULDER, UF LEADERS REPORTEDLY CONFIRMED THEIR UNDERSTANDING OF SCOPE OF NEW LEGISLATION AS FOLLOWS: URBAN BLACKS CURRENTLY ENJOYING RIGHT TO RESIDE IN A WHITE AREA UNDER SECTION 10(1)(A) OF BANTU (URBAN AREA) ACT, I.E., HAVE RESIDED THERE SINCE BIRTH, OR SECTION 10(1)(B), HAVE RESIDED LAWFULLY IN SUCH AREA CONTINUOUSLY FOR 15 YEARS, WILL HAVE RIGHT TO PURCHASE HOMES UNDER NEW SCHEME. CHILDREN OR SPOUSES OF SUCH PERSONS WILL NOT AUTOMATICALLY ACQUIRE RIGHT OF RESIDENCE UNDER SECTION 10(1)(A) BUT MAY QUALIFY IN THEIR OWN RIGHT UNDER SECTION 10(1)(B) IF THEY RESIDE LAWFULLY FOR PRESCRIBED PERIOD IN AN URBAN AREA WITH 10(1)(A) OR (B) SPOUSE OR PARENT. HOWEVER, IN CASE OF A WOMAN WHO HAS RESIDED LESS THAN 15 YEARS WITH 10(1)(A) OR (B) SPOUSE WHO THEN DIES OR DIVORCES HER, SHE WOULD LOSE ALL RIGHT TO RESIDE IN URBAN AREA. MULDER REPORTEDLY AGREED TO A PROVISION IN NEW AMENDMENT WHICH GIVES HIM DISCRETION IN "DESERVING" CASES TO GRANT SECTION 10 RIGHTS.

4. UF APPARENTLY SUCCEEDED IN PERSUADING SAG TO REPEAL

NOTORIOUS REGULATION 106 WHICH CITES 15 GROUNDS ON WHICH ANY URBAN BLACK (EVEN SECTION 10(1)(A) HOLDERS) CAN LOSE SECTION 10 RIGHTS, INCLUDING "CEASING TO BE A FIT AND PROPER PERSON" IN THE OPINION OF A BANTU AFFAIRS BOARD HOUSING SUPERINTENDENT. AT SAME TIME, UF WAS ONLY PARTIALLY SUCCESSFUL IN ITS EFFORTS TO LIBERALIZE A SECTION OF THE LAW UNDER WHICH BLACKS QUALIFYING UNDER SECTION 10(1)(B) LOSE SUCH QUALIFICATION IF SENTENCED TO A FINE EXCEEDING R100 OR IMPRISONMENT EXCEEDING 6 MONTHS. NEW LIMITS WILL BE FINE OF R500 OR 6 MONTHS IMPRISONMENT (UF ARGUED FOR R1,000 AND 12 MONTHS).

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C O N F I D E N T I A L SECTION 2 OF 2 PRETORIA 2860

5. HAVING APPARENTLY RESOLVED MAJOR POINTS OF DISAGREEMENT, MULDER REPORTEDLY TOLD UF REPS THAT NEW BILL WOULD BE INTRODUCED IN PARLIAMENT IN VERY NEAR FUTURE. IF A LAW IS PASSED THAT SATISFIES BOTH BUILDING SOCIETIES AND BLACK HOMEOWNERS OVER RESIDENCY AND TITLE, UF BELIEVES BUILDING SOCIETIES ARE PREPARED TO MAKE R80-100 MILLION (ONE RAND EQUALS \$1.15) AVAILABLE ANNUALLY OVER NEXT 5 YEARS. THIS WOULD BE ENOUGH FOR 40,000 HOUSES OR ABOUT 10 PERCENT OF CURRENT BLACK HOUSING NEEDS BROADLY DEFINED. (GOVERNMENT ESTIMATES OF HOUSING SHORTAGE ARE

MUCH LOWER.)

6. A BLACK BUYER WOULD NEED TO MAKE DEPOSIT OF 25 PERCENT BUT FOUNDATION EXPECTS MAY EMPLOYERS WOULD HELP, FOR EXMAPLE BY ADVANCING 15 PERCENT AND OBLIGING BUYER TO MAKE DOWN PAYMENT OF ONLY 10 PERCENT. THIS WOULD BE ABOUT R800 FOR BETTER QUALITY HOME, MUCH LESS FOR THOSE

BUYING HOMES ALREADY OCCUPIED OR ENLARGING THEIR HOUSES.

7. ONE PROBLEM IN SOWETO IS THAT ENOUGH LAND IS NOW AVAILABLE FOR ONLY 2,400 NEW HOMES, PLUS 600 IF A CERTAIN FARM IS ACQUIRED.

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8. IF HOUSING PROGRAM GETS OFF GROUND, UF RECOMMENDS U.S. SUBSIDIARIES MIGHT PARTICIPATE, FIRST, BY ADOPTING A POLICY OF HELPING BLACK EMPLOYEES FINANCE HOMES (WHICH MANY FIRMS ALREADY DO FOR WHITE EMPLOYEES) AND, SECOND, BY GRANT OR LOW INTEREST FIVE-YEAR LOAN TO ASSIST UF IN BUILDING A CAPITAL FUNDS FOR INFRASTRUCTURE, ADMINISTRATIVE SERVICES, COMMUNITY FACILITIES, ETC., WHICH WOULD BE RECOUPED THROUGH LATER SALE OF HOMES. (UF SHOWED CAPE TOWN A CONFIDENTIAL LIST OF ITS CONTRIBUTORS WHICH INCLUDES ONLY THREE U.S. SUBSIDIARIES-- CITIBANK, FORD AND MOBIL.)

9. RE SOWETO ELECTRIFICATION, WEST RAND ADMINISTRATION BOARD (WRAB) COMMISSIONED ITS OWN STUDY WHICH PUT COST AT R94 MILLION, WHICH WRAB PROPOSES TO BE FUNDED FROM R40 MILLION ORIGINALLY PLEDGED BY UF AND R54 MILLION TO BE RAISED BY MARKETING SHARES. COST WORKS OUT TO R950 PER HOUSE, INCLUDING LEAD-IN AND INTERNAL WIRING. CAPITALIZES AT R11 PER MONTH OVER 20 YEARS TO WHICH WOULD BE ADDED COST OF ELECTRICITY USED. THIS WOULD ROUGHLY DOUBLE EXISTING MONTHLY HOUSING CHARGES AND IS THUS PROBABLY AN UNREALISTIC BURDEN. (ALL RESIDENTS WOULD HAVE TO PARTICIPATE.) UF IS SUGGESTING THAT R54 MILLION BE SPREAD AMONG ALL LOCAL AUTHORITIES IN JOHANNESBURG AREA. DESPITE IMPORTANCE OF PROJECT, THERE IS EVIDENTLY NO INCLINATION ON PART OF NATIONAL GOVERNMENT TO PICK UP SHARE OF CAPITAL COST.

10. COMMENT: CAPE TOWN HAS SECURED CONSIDERABLE DETAIL ON INFIGHTING OVER LEASEHOLD PLAN. MAJOR DISAGREEMENT HAS BEEN OVER NATURE OF OWNERSHIP, WHETHER FREEHOLD OR LEASEHOLD, AND LENGTH OF LEASEHOLD. DOCTRINAIRE OFFICIALS,

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PARTICULARLY VAN ONSELEN, SECRETARY OF PLURAL RELATIONS, INTERFERED WITH MULDER'S EFFORTS TO DEVELOP A REASONABLE POSTURE AND HELD OUT FOR 30-YEAR LEASE, REVIEWABLE AT MINISTER'S OPTION. WAS HINTED TO US THAT VAN ONSELEN WAS

CONVEYING POSITION OF BROEDERBOND ALTHOUGH WE HAVE REASON
TO BELIEVE THAT SOME BROEDERBOND LEADERS, INCLUDING
GERRITT VILJOEN WERE IN FAVOR OF MORE FORTHCOMING POLICY.

11. AT CABINET MEETING ON APRIL 4, VORSTER NAMED LABOR
MINISTER BOTHA AND ECONOMIC MINISTER HEUNIS TO NE-
GOTIATE WITH LAWYER DAWIE DE VILLIERS AND CHAIRMAN VAN
DER HORST OF OU MUTUAL INSURANCE COMPANY WHO REPRESENTED
UF. SAG FIRST OFFERED 30-YEAR LEASE, THEN 50-YEAR AND
FINALLY CONCEDED TO ARGUMENT OF VAN DER HORST THAT 99-
YEAR LEASE WAS INTERNATIONALLY RECOGNIZED FORM OF OWNER-
SHIP. UF SAYS IT IS DELIGHTED WITH OUTCOME WHICH IS
CLOSEST THING TO FREEHOLD. IT IS NOT ENTIRELY HAPPY
WITH THE RESTRICTIONS ON WHO MAY QUALIFY BUT FEELS THAT
NEW SCHEME WILL PROVIDE OPPORTUNITY TO CONSIDERABLY EN-
HANCE THE LIVING STANDARD OF SIZEABLE NUMBERS OF URBAN
BLACKS. AS ONE SPOKESMAN PUT IT, "HOME OWNERSHIP IS A
TRADITIONAL WAY TO ACCUMULATE CAPITAL AND KEEP ABREAST
OF INFLATION. UP TO NOW, BLACKS WERE CONSTANTLY CON-
DEMNED TO MISS THAT BUS. NOW, MANY OF THEM WILL BE ABLE
TO RIDE IT."

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